

Mound Street Military Careers Academy
Montgomery County
Regular Audit
For the Fiscal Years Ended June 30, 2010



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Dave Yost • Auditor of State

Board of Trustees
Mound Street Military Careers Academy
354 Mound Street
Dayton, Ohio 45402

We have reviewed the *Independent Auditor's Report* of the Mound Street Military Careers Academy, Montgomery County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mound Street Military Careers Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 25, 2011

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Mound Street Military Careers Academy
Montgomery County
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For the Fiscal Years Ended June 30, 2010 and 2009

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Independent Auditor's Report

Board of Trustees
Mound Street Military Careers Academy
354 Mound Street
Dayton, Ohio 45402

We have audited the accompanying basic financial statements of Mound Street Military Careers Academy, Montgomery County (the Academy), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Mound Street Military Careers Academy, Montgomery County as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Mound Street Military Careers Academy
Montgomery County
Independent Auditor's Report
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As described in Note 13, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

A handwritten signature in black ink, reading "Natalie Millhuff-Stang". The signature is written in a cursive, flowing style.

Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 21, 2010

**Mound Street Military Careers Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Mound Street Military Careers Academy's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$122,319 in fiscal year 2010, which represents a 5.3 percent decrease from fiscal year 2009, primarily the result of cash disbursements in excess of cash receipts.
- Total assets decreased \$103,403 which represents a 4.3 percent decrease from the prior year. The decrease is primarily due to the decrease in cash and cash equivalents.
- The operating revenue for fiscal year 2010 in the amount of \$630,793 was \$64,358 less than the operating revenue reported for fiscal year 2009. This decrease is primarily due to a decrease in foundation payments received from the state.
- The non-operating revenue for fiscal year 2010 in the amount of \$283,947 was \$85,881 less than the non-operating revenue reported for fiscal year 2009. This decrease is primarily due to a decrease in state and federal grant revenue and interest revenue received.
- Operating expenses for fiscal year 2010 in the amount of \$1,037,059 were \$62,947 higher than operating expenses reported for fiscal year 2009. This increase is primarily due to increases in salaries and fringe benefits.

USING THIS ANNUAL FINANCIAL REPORT

This financial report contains the basic financial statements of the Academy, as well as the management's discussion and analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity-wide and the fund presentation are the same.

Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets

The statement of net assets and the statement of revenues, expenses and changes in net assets answer the question, "How did we do financially during the fiscal year?" The statement of net assets includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

The statement of revenues, expenses and changes in net assets reports the changes in net assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

**Mound Street Military Careers Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

These statements report the Academy's net assets, however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy's building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

THE ACADEMY AS A WHOLE

As stated previously, the statement of net assets provides the perspective of the Academy as a whole. Table 1 provides a summary of the Academy's net assets for 2010 compared to 2009.

Table 1
Net Assets

	2010	2009*
Assets:		
Current and other assets	\$ 2,084,604	\$ 2,182,519
Capital assets, net	190,852	196,340
Total Assets	2,275,456	2,378,859
Liabilities:		
Current and other liabilities	76,991	59,057
Noncurrent liabilities	4,642	3,660
Total Liabilities	81,633	62,717
Net Assets:		
Invested in capital assets	190,852	196,340
Restricted	1,840,895	1,824,363
Unrestricted	162,076	295,439
Total Net Assets	\$ 2,193,823	\$ 2,316,142

* Certain reclassifications were made for consistency of comparison between years. There was no effect on total net assets.

Total net assets of the Academy decreased by \$122,319 or 5.3 percent. The decrease in total net assets from fiscal year 2009 is primarily due to a decrease in cash and cash equivalents as cash disbursements exceeded cash receipts in fiscal year 2010.

**Mound Street Military Careers Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

Table 2
Change in Net Assets

	2010	2009 *
Revenues		
Operating revenues:		
Foundation payments	\$ 604,977	\$ 667,759
Other operating revenues	25,816	27,392
Total operating revenues	<u>630,793</u>	<u>695,151</u>
Non-operating revenues:		
State and federal grants	281,138	343,867
Interest earnings	2,809	25,961
Total non-operating revenues	<u>283,947</u>	<u>369,828</u>
Total Revenues	<u>914,740</u>	<u>1,064,979</u>
Expenses		
Operating expenses:		
Salaries	524,877	478,291
Fringe benefits	154,884	132,245
Other purchased services	281,879	290,974
Materials and supplies	26,658	25,197
Depreciation	19,758	20,540
Other expenses	29,003	26,865
Non-operating expenses:		
Loss on disposal of capital assets	-	2,287
Total Expenses	<u>1,037,059</u>	<u>976,399</u>
Increase/(Decrease) in Net Assets	(122,319)	88,580
Net Assets at Beginning of Year	<u>2,316,142</u>	<u>2,227,562</u>
Net Assets at End of Year	<u>\$ 2,193,823</u>	<u>\$ 2,316,142</u>

* Certain reclassifications were made for consistency of comparison between years. There was no effect on net assets.

Foundation payments decreased \$62,782 primarily due to a decrease in career and technical funding, the change on restrictions of the state foundation funding as well as the receipt of stimulus funding. Federal and state grants decreased \$62,729 primarily due to a decrease in the Out of School Youth grant. This decrease was partially offset by increases in the Title I IDEA grant and federal school lunch reimbursements as well as the change in restrictions on funding from the state. Interest revenue decreased \$23,152 due to declining interest rates. Salaries increased \$46,586 due to raises and salary step increases. Fringe benefits increased \$22,639 due to increases in retirement contributions related to the salary increases and increases in insurance rates.

**Mound Street Military Careers Academy
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)**

Capital Assets

At June 30, 2010, the capital assets of the Academy consisted of the building in the amount of \$185,914 off-set by \$26,586 in accumulated depreciation, furniture and equipment amounting to \$101,276 with accumulated depreciation of \$73,943, and vehicles in the amount of \$7,435 with accumulated depreciation of \$3,244 resulting in net capital assets of \$190,852. Depreciation expense for the fiscal year ended June 30, 2010 amounted to \$19,758.

See Note 4 of the notes to the basic financial statements for more detailed information on the Academy's capital assets.

Debt

At June 30, 2010, the Academy did not have any outstanding debt obligations. For information regarding other long-term obligations, please see Note 9 of the notes to the basic financial statements.

Contacting the Academy

This financial report is designed to provide a general overview of the finances of Mound Street Military Careers Academy and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to:

Mound Street Military Careers Academy
Attn: Treasurer
354 Mound Street
Dayton, Ohio 45402
(937) 223-3041

Mound Street Military Careers Academy
Statement of Net Assets
June 30, 2010

ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 2,053,455
Receivables:	
Accounts	3,277
Intergovernmental	<u>27,872</u>
Total current assets	<u>2,084,604</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>190,852</u>
Total assets	<u>2,275,456</u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	2,519
Accrued wages and benefits payable	53,998
Intergovernmental payable	<u>20,474</u>
Total current liabilities	<u>76,991</u>
Noncurrent Liabilities:	
Compensated absences payable	<u>4,642</u>
Total noncurrent liabilities	<u>4,642</u>
Total liabilities	<u>81,633</u>
NET ASSETS:	
Invested in capital assets	190,852
Restricted	1,840,895
Unrestricted	<u>162,076</u>
Total net assets	<u>\$ 2,193,823</u>

See accompanying notes to the basic financial statements.

Mound Street Military Careers Academy
Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2010

OPERATING REVENUES:	
Foundation payments	\$ 604,977
Other operating revenue	25,816
	630,793
OPERATING EXPENSES:	
Salaries	524,877
Fringe benefits	154,884
Other purchased services	281,879
Materials and supplies	26,658
Depreciation	19,758
Other	29,003
	1,037,059
Operating loss	(406,266)
NON-OPERATING REVENUES	
Interest earnings	2,809
State and federal grant revenue	281,138
	283,947
Change in net assets	(122,319)
Net assets, beginning of year	2,316,142
Net assets, end of year	\$ 2,193,823

See accompanying notes to the basic financial statements.

**Mound Street Military Careers Academy
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash from State of Ohio	\$ 604,977
Cash payments to suppliers for goods and services	(341,577)
Cash payments to employees for services and benefits	(656,808)
Other operating cash receipts	<u>22,539</u>
Net cash used for operating activities	<u>(370,869)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal and state subsidies	<u>274,572</u>
Net cash provided by noncapital financing activities	<u>274,572</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payments for capital acquisitions	<u>(14,270)</u>
Net cash used for capital and related financing activities	<u>(14,270)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earnings	<u>2,809</u>
Net cash provided by investing activities	<u>2,809</u>
Net decrease in cash and cash equivalents	(107,758)
Cash and cash equivalents, beginning of year	<u>2,161,213</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,053,455</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:	
Operating loss	\$ (406,266)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	19,758
Changes in liabilities:	
Increase in accounts receivable	(3,277)
Decrease in accounts payable	(4,037)
Increase in accrued wages payable	9,897
Increase in intergovernmental payable	12,074
Increase in compensated absences payable	<u>982</u>
Total adjustments	<u>35,397</u>
Net cash used for operating activities	<u><u>\$ (370,869)</u></u>

See accompanying notes to the basic financial statements.

Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1 – DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Mound Street Military Careers Academy (the Academy) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The Academy, which is part of the State's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Montgomery County Educational Service Center (Sponsor) for the period of July 1, 2007 through June 30, 2014. The Academy operates under a self-appointing six-member Board of Trustees (the Board). The Academy's Code of Regulations specifies that vacancies that arise on the Board be filled by the appointment of a successor trustee by a majority vote of the then existing trustees. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Academy has one instructional/support facility staffed by one superintendent, one principal, seven certified teaching personnel and five non-certified support personnel who provide services to an enrollment of 82 students.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The more significant of the Academy's accounting policies are described below.

Basis of presentation

Enterprise fund accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement focus and basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities is defined as net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

The Board of Trustees adopts a formal budget at the beginning of the school year. Spending limits are set based on projected revenue from the State of Ohio and other known sources. The Board's adoption of the budget states that actual expenditures are "not to exceed" budget amounts. The Academy Principal and Treasurer are responsible for ensuring that purchases are made within these limits. However, any variances from the budgetary amounts are presented to the Board for subsequent approval.

Cash and cash equivalents and investments

All monies received by the Academy are maintained in demand deposit accounts, a savings account and investments. For internal accounting purposes, the Academy segregates its cash using fund accounting.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

During fiscal year 2010, the School District's investments were limited to funds invested in the State Treasury Assets Reserve of Ohio (StarOhio). StarOhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. StarOhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in StarOhio are valued at StarOhio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2010 amounted to \$2,809.

Capital assets and depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy maintains a capitalization threshold of \$1,000. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed. Depreciation is computed using the straight-line method over estimated useful lives as follows: building - 30 to 50 years, furniture and equipment - 4 to 20 years, and vehicles - 6 to 8 years.

Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intergovernmental revenues

The Academy currently participates in the State Foundation Program and various grants awarded through state and federal programs. These programs include Title I, ARRA Title I, Title II-A, Title II-D, Title IV-A, Part B-IDEA, ARRA Part B-IDEA, E-Rate, and State Fiscal Stabilization Fund. The State Foundation Program and certain other state grants are recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Most other federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Revenues under state and federal grant or entitlement programs for the 2010 school year totaled \$886,115.

Accrued liabilities payable

The Academy has recognized certain liabilities on its statement of net assets relating to expenses which are due but unpaid as of June 30, 2010 including:

Accrued wages and benefits payable – salary and health benefits payments made after year-end for services rendered in fiscal year 2010. Teaching personnel are paid in 26 equal installments, ending with the first payroll in August, for services rendered during the previous school year. Therefore, a liability has been recognized at June 30, 2010 for the salary payments made to personnel after June 30, 2010 related to fiscal year 2010. A liability has also been recognized for health care payments made after year end for payroll services earned as of June 30, 2010.

Intergovernmental payable – payment for the SERS and STRS contributions, Medicare deductions, SERS' surcharge and workers' compensation (\$20,474) associated with services rendered during fiscal year 2010 which was not paid until the subsequent fiscal year.

Compensated absences

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the Academy has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the Academy's termination policy. The Academy records a liability for accumulated unused sick leave for all employees after 10 years of current service with the Academy.

The entire compensated absences liability is reported on the basic financial statements.

The Academy does not record a liability for personal and vacation leave because its policy is not to pay out accumulated personal and vacation leave balances upon termination of employment.

Net assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

As of June 30, 2010, of the Academy's \$1,840,895 in restricted net assets, none was restricted by enabling legislation.

Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and non-operating revenues and expenses

Operating revenues are those revenues that are generated directly by the Academy's primary mission as well as other charges for services and other operating revenues. For the Academy, operating revenues include foundation payments received from the State of Ohio as well as other charges for services and other operating revenues. Operating expenses are necessary costs incurred to support the Academy's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various state and federal grants, as well as interest revenue comprise the non-operating revenues and expenses of the Academy.

Federal tax exemption status

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. The Academy's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateralization of public funds.

As of June 30, 2010, the Academy's bank balance of \$1,397,577 is either covered by FDIC or collateralized by the financial institutions' public entity deposit pools in the manner described above.

Investments

Investments are reported at fair value. As of June 30, 2010, the Academy had the following investment:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Yrs.)</u>
StarOhio	<u>\$ 658,699</u>	Less than 1 year

The Academy's investment policy permits the purchase of any security specifically authorized by the Ohio Revised Code.

**Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Academy will not directly invest in securities maturing more than five years from the date of purchase. The Academy's investment policy does not address this type of risk.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments in StarOhio were rated AAAM by Standard & Poor's. The Academy's policy does not address credit risk for investments.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Academy has invested 100 percent in investments with a weighted average maturity of less than one year. The Academy's investment policy does not address this type of risk.

Custodial credit risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Academy's investments are either insured and registered in the name of the Academy or at least registered in the name of the Academy. The Academy does not have a policy for custodial credit risk.

NOTE 4 – CAPITAL ASSETS

A summary of the Academy's capital assets at June 30, 2010, follows:

	Ending Balance 6/30/2009 *	Additions	Deletions	Ending Balance 6/30/2010
Capital Assets, being depreciated				
Building	\$181,597	\$4,317	\$0	\$185,914
Furniture and Equipment	91,323	9,953	0	101,276
Vehicles	7,435	0	0	7,435
Total Capital Assets, Being Depreciated	<u>280,355</u>	<u>14,270</u>	<u>0</u>	<u>294,625</u>
Less: Accumulated Depreciation				
Building	(21,848)	(4,738)	0	(26,586)
Furniture and Equipment	(59,734)	(14,209)	0	(73,943)
Vehicles	(2,433)	(811)	0	(3,244)
Total Accumulated Depreciation	<u>(84,015)</u>	<u>(19,758)</u>	<u>0</u>	<u>(103,773)</u>
Total Capital Assets Being Depreciated, Net	<u>\$196,340</u>	<u>(\$5,488)</u>	<u>\$0</u>	<u>\$190,852</u>

* Certain reclassifications were made to the beginning balance of capital assets. These reclassifications had no effect on net assets.

**Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

NOTE 5 – RISK MANAGEMENT

Property and liability – The Academy is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Academy contracted with Ohio Casualty Insurance for business property, director and officer liability, auto, and general liability insurance. Building coverage carries a \$1,000 deductible and has a \$3,440,000 limit. Business personal property coverage carries a \$1,000 deductible and has a \$1,040,000 limit. Auto coverage for comprehensive and collision has a \$1,000,000 limit. General liability coverage provides \$1,000,000 per occurrence and \$2,000,000 in the aggregate with no deductible. The Ohio Casualty Insurance also provides umbrella liability coverage of \$4,000,000 per occurrence, as well as, in the aggregate.

There has been no reduction in coverage from the prior year and settled claims have not exceeded the Academy's coverage in any of the past three years.

Employee insurance benefits – The Academy offers health and dental insurance benefits to employees of whom the Academy pays 80 percent and the employee pays 20 percent of the premiums. The Academy also offers life insurance to its employees of which it pays 100 percent of the premiums. These benefits are administered by Anthem. The Academy also adopted a Health Savings Account Lumenos Option 3 medical plan.

NOTE 6 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, at www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$11,469, \$11,442, and \$11,046, respectively; equal to 49.09 percent for fiscal year 2010, and 100 percent for the fiscal years 2009 and 2008.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

For the fiscal years ended June 30, 2010, 2009, and 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent. The portion allocated to fund pension obligations was 13 percent for the fiscal years ended June 30, 2010, 2009, and 2008. The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$53,397, \$48,798, and \$45,255, respectively; equal to 83.14 percent for the fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, there were no members participating in Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 7 – POST-EMPLOYMENT BENEFITS

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

**Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

NOTE 7 – POST-EMPLOYMENT BENEFITS (Continued)

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

All STRS benefit recipients and sponsored dependents are eligible for healthcare coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009, and 2008. For the Academy, these amounts equaled \$4,083, \$3,625, and \$3,602 for fiscal years 2010, 2009, and 2008, respectively, which were equal to the required allocations for those years.

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2010, 2009, and 2008, the actuarially required allocations were 0.76 percent, 0.75 percent, and 0.66 percent, respectively. For the Academy, contributions for the fiscal years ended June 30, 2010, 2009, and 2008 were \$562, \$613, and \$521, which were equal to the required allocations for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 7 – POST-EMPLOYMENT BENEFITS (Continued)

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total assigned to the Health Care Fund. For the Academy, the amounts contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$1,622, \$5,047, and \$4,350, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS website at www.ohsers.org under *Employers/Audit Resources*.

NOTE 8 - CONTINGENCIES

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy.

State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. The Academy does not anticipate any material adjustments to state funding for fiscal year 2010, as a result of such a review.

**Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

NOTE 9 – LONG-TERM OBLIGATIONS

Changes in long-term obligations of the Academy during fiscal year 2010 were as follows:

	Balance Outstanding <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance Outstanding <u>June 30, 2010</u>	Amount Due in <u>One Year</u>
Compensated Absences	\$ 3,660	\$ 19,112	\$ 18,130	\$ 4,642	\$ -

Compensated absences will be paid from the fund from which the employee is paid.

NOTE 10 – RELATED PARTIES

The Superintendent and Treasurer of Mound Street Military Careers Academy serve in the same capacity for Mound Street IT Careers Academy and Mound Street Health Careers Academy. Members of the Board of Trustees for Mound Street Military Careers Academy are permitted to serve on an additional Board from either the Mound Street IT Careers Academy or Mound Street Health Careers Academy. Transactions between the three Academies are insignificant.

NOTE 11 – OTHER PURCHASED SERVICES

During the fiscal year ended June 30, 2010, other purchased service expenses for services rendered by various vendors were as follows:

Professional & Technical services	\$ 107,639
Property Services	43,334
Travel Mileage/Meeting Expense	3,568
Communications	7,910
Electricity	18,437
Water & Sewer	757
Gas	5,665
Contracted Craft/Trade Services	54,953
Tuition	5,954
Pupil Transportation	15,949
Other	<u>17,713</u>
Total Other Purchased Services	<u>\$ 281,879</u>

NOTE 12 – RECEIVABLES

At June 30, 2010, the Academy had intergovernmental and accounts receivables of \$27,872 and \$3,277, respectively, which are considered collectible within one year and are presented on the statement of net assets.

Mound Street Military Careers Academy
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 13 – CHANGES IN ACCOUNTING PRINCIPLES

For 2010, the Academy has implemented Governmental Accounting Standard Board (GASB) Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,” and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the Academy’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the Academy’s financial statements.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board
Mound Street Military Careers Academy
354 Mound Street
Dayton, Ohio 45402

We have audited the financial statements of the Mound Street Military Careers Academy, Montgomery County (the Academy), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 21, 2010, in which we noted that the Academy implemented GASB Statements No. 57 and No. 58. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mound Street Military Careers Academy
Montgomery County
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management, the Board, and others within the Academy, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Natalie Millhuff-Stang".

Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 21, 2010

Independent Auditor's Report on Applying Agreed-Upon Procedures

Mound Street Military Careers Academy
Montgomery County
354 Mound Street
Dayton, Ohio 45402

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Mound Street Military Careers Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.


1. We noted the Board adopted an anti-harassment policy in its Student Handbook annually prior to the beginning of each school year.
2. We read the policy in place as of June 30, 2010, noting it included the following requirements from the Ohio Revised Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

3. We read the policy in place as of June 30, 2010, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A procedure for documenting any prohibited incident that is reported;
 - 2) A procedure for responding to and investigating any reported incident;
 - 3) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - 4) A requirement that the Academy administration semiannually provide the president of the Academy board a written summary of all reported incidents and post the summary on its web site, if the Academy has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

However, we did note that the Academy adopted a new policy on August 12, 2010, which encompassed all requirements.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and the Academy's Sponsor and is not intended to be and should not be used by anyone other than this specified party.


Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 21, 2010



Dave Yost • Auditor of State

MOUND STREET MILITARY CAREERS ACADEMY

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 8, 2011**